

HOW TO AVOID PREDATORY LENDERS

Buying a home is one of the most significant and exciting purchases you'll ever make. However, at times, the home buying process can also be confusing. Unfortunately, this confusion may allow dishonest individuals to take advantage of buyers despite consumer safeguards put in place within the last several years. To protect yourself, especially from predatory lenders, make sure you play it safe by educating yourself about the home buying process.

In the meantime, please look over the tips we've provided below so you'll know what to watch out for to avoid financial losses and heartache.

How to Steer Clear of Predatory Lenders:

- **Shop for a lender and compare mortgage loan products and costs.** Be suspicious if a lender claims that theirs is the only product you'll qualify for. A good lender will be able to offer you several options.
- **Beware of high fees or hidden costs.** A good lender will be able to explain all the costs associated with getting a loan. This is also part of shopping around for the right lender and mortgage product for you!
- **Never enter false information on your loan application.** For example, don't overstate your income, length of employment, the source of your downpayment, or any debts you may have.
- **Don't be pressured into borrowing more money than you need.** You don't want to take on any more debt than you absolutely have to, and never take on more than you can afford!
- **Check out prices of other homes in the neighborhood.** Don't be fooled into paying too much by making an offer on a home before doing your own research. Working with a qualified real estate professional can help you avoid this potential pitfall.
- **Get a home inspection before you buy.** Hire a qualified, licensed inspector to carefully go over the property. If any repairs are needed, make sure you know who will be responsible for paying for them - you or the seller.
- **Be extremely suspicious of promises to refinance your loan to a better rate in the future.** No lender can guarantee the future of mortgage rates. Be sure to stick with a mortgage you can already afford.
- **If the loan terms are different at closing than what you understood them to be, walk away!** Don't sign any loan documents that you don't understand or have different terms than you agreed to. Lenders must tell you all the terms of the loan before your closing. A good lender will honor those terms.
- **After you close on your mortgage and move into your new home, be wary of offers that will come in the mail for home improvements, insurance, credit lines, or to refinance your home.** Many of these offers are scams! If any of them offer a service or product you could use, do your homework, read the fine print and shop around. Remember: if an offer seems too good to be true, it is most likely trouble knocking at your door!
- **Take your time before you sign!** Don't let anyone pressure you into signing anything. Read and understand everything you sign as part of the home buying process. Knowledge is one of your best defenses against predatory lending.

The best way to avoid predatory lenders is to become educated about the home buying process. Ask questions, take your time and don't let yourself be pressured into agreeing to anything you don't feel comfortable with. Buying a home is a big commitment; don't let a predatory lender get you into a costly loan. If you have any doubts or questions, contact a HUD-approved counseling agency **for free advice.**